(prepared for Dulles-Eisenhower-Churchill mtg.1/6/53)

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EGYPT

The assumption of power by the Naguib Government in Egypt has created a favorable atmosphere for an early and reasonable resolution of the Anglo-Egyptian dispute and of the larger problems of Middle East defense. Final settlement depends upon agreement between Egypt and Great Britain on the Sudan and on the Suez military base questions. Negotiations over the political future of the Sudan are presently in their final stages. It appears that the main obstacles to a final agreement are the questions of the powers of the Governor-General of the Sudan with respect to the southern areas, his emergency powers and the rate at which the Sudan Government is to be turned over to the Sudanese.

It is likely that final discussions concerning the military bases in the Suez Zone will take place within a month. According to our information, the British Government is willing to evacuate its forces from the Canal Zone at an early date provided that the West's strategic requirements in the Suez are safeguarded. United States representatives are now in London discussing this question with the British. Such a move would go far towards allaying the great unrest in Egypt over this question.

The United States and Great Britain are now actively studying ways and means to assist the Naguib regime, both economically and militarily.

Mr. Churchill has a great personal interest in the Egyptian question, particularly the Sudan problem, which has nostalgic connotations for him. On his last trip to the United States, in his speech to the Congress, the Prime Minister asked for a "token" number of American troops in the Suez Canal Zone, although he did not specify whether or not these troops would be there under Middle East Defense Organization auspices.

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